

Cost Accounting  
R&D Casting Pilot Plant  
Columbia Falls

All R&D costs will be charged into Columbia Falls' cost center 8001 for billing to Louisville Corporate Technology's 2001 cost center. The R&D accounting system has been set up to separate capitalized expenditures from operating costs. The initial upgrading of the pit will be capitalized, as will be any research projects which require major equipment purchases. New capitalized assets will remain the property of R&D while in use by R&D, and will not appear on Columbia Falls' books.

Capitalized Expenses

The initial pit upgrading will be carried on an AFC. Five "98" job orders will accumulate all costs associated with this. This will allow us to separate costs on major equipment items.

- 98-82017 - R&D Station Upgrade - General
- 98-82018 - R&D Instrumentation and Controls
- 98-82019 - R&D A622 Filter
- 98-82020 - R&D A729 CO2 System
- 98-82021 - R&D -Showa Denko- capital

Engineering time, materials and maintenance department labor (direct and indirect) will be charged onto these job orders. R&D will receive a monthly report of charges to these jobs.

Operating Expenses

Operating Labor - Labor costs (including fringes) will be charged to R&D simply by putting the 8001 cost center on the employee's time card or time sheet. This system will not permit operating labor to be charged into different R&D projects.

Operating Supplies and Operating Maintenance - By the use of multiple "98" job orders, maintenance and supply costs will be charged to various R & D projects. These will be separate from the 98 orders used to accumulate capital costs. Existing 01 (maintenance) job orders on the equipment in question will be closed out when the pit is turned over to R&D. All future costs on both old and new equipment will then be borne by R&D.

Miscellaneous

Purchasing - All purchases will be handled by the Purchasing Department. They will be charged to the 8001 cost center and a 98 job order, if applicable.

Metal and Alloys - To simplify accounting for metal and alloys, they will be carried on the Operation's books until such time as the metal might actually leave the plant. If metal leaves the plant, then it will be sold to either R&D or the receiving party. The operation will inventory R&D metal (molten and ingot) as its own. The operation might frequently need to "take back" metal that has been "contaminated" by R&D. If R&D contaminates any metal so badly that the Operation can not use it, R&D will purchase it or bear the cost of selling it at a reduced price. Any special alloys required by R&D will be purchased by R&D.

Natural Gas - R&D will bear the cost of the natural gas it uses. A meter to measure this is currently in place. Power and utilities will read it when taking their routine readings.

Argon - Usage is estimated at \$200 - \$300/mo. The Operation will absorb this cost.

Water, Electrical - R&D will not be charged for the use of water or electricity.

Office Services - R&D will not be charged for office services, within reason.

Engineering Time - Engineers and draftsmen assigned to R&D will keep a record of their time on each project. Their cost (direct and fringes) will be billed to the appropriate R&D 98 job order on a pro-rated basis. Billing in this manner will automatically account for the R&D Tax Credit which is otherwise done by accounting.

Area Maintenance Engr - Will be charged to R&D indirectly via indirect maintenance labor costs.